

# Application for Michigan Net Operating Loss Refund

**MI-1045**

**Note:** If the MI-1040 for the loss year was filed before January 1, 1998, see pages 2 and 3.

(Rev. 11-01)

This form is issued under P.A. 281 of 1967. Filing is voluntary.

For loss year \_\_\_\_\_ or for loss year beginning \_\_\_\_\_, \_\_\_\_\_ and ending \_\_\_\_\_, \_\_\_\_\_.

First Name, Middle Initial and Last Name (if joint, use first names and initials of both)		Filer's Social Security Number
Home Address (No., Street, P.O. Box or Rural Route)	City, State, ZIP	Spouse's Social Security Number

**IMPORTANT:** Use your U.S. 1040 to complete this form. Do not consider net operating losses from other years, **income and losses from other states, or income and losses from oil and gas production that is subject to Michigan Severance Tax.**

## PART 1 -- Computing the Net Operating Loss (see instructions, page 3).

1. Wages, salaries, tips, etc. ....	1. _____	.00
2. Interest income .....	2. _____	.00
3. Dividends _____ Less exclusions _____ Balance _____ .....	3. _____	.00
4. Business income or loss (attach U.S. <i>Schedules C and F</i> ) .....	4. _____	.00
5. Capital gain or loss (attach <i>Schedule D</i> ) .....	5. _____	.00
6. Other gains or losses (attach U.S. 4797) .....	6. _____	.00
7. Pension, IRA and annuity (included in AGI) .....	7. _____	.00
8. Net rent or royalty income .....	8. _____	.00
9. Income or losses from partnerships, estates, trusts and S corporations (attach U.S. <i>Schedule E</i> ) .....	9. _____	.00
10. Miscellaneous income (e.g. state and local refunds) -- Explain (see instr., pg. 3) .....	10. _____	.00
11. Total income .....	11. _____	.00
12. ADJUSTMENTS: Only list adjustments to Michigan source income		
a. Payments to a retirement plan as an individual or a self-employed person .....	12a. _____	.00
b. Deduction for self-employment tax .....	12b. _____	.00
c. Self-employed health insurance deduction .....	12c. _____	.00
d. Alimony paid and/or penalty for early withdrawal of savings .....	12d. _____	.00
e. Moving expenses .....	12e. _____	.00
f. Other adjustments to income including medical savings account deduction .....	12f. _____	.00
13. Total adjustments (Add lines 12a - f.) .....	13. _____	.00
14. Michigan adjusted gross income (subtract line 13 from line 11) .....	14. _____	.00
(If greater than 0, you do not have an NOL.)		
15. Nonbusiness deductions: Enter total adjustments from line 13 less amount listed on line 12b and 12e .....	15. _____	.00
16. Nonbusiness income included in line 11		
a. Interest income .....	16a. _____	.00
b. Dividend income .....	16b. _____	.00
c. Net gains from sale of assets not used in trade or business (before the 50 or 60 percent exclusion) .....	16c. _____	.00
d. Pension and annuities .....	16d. _____	.00
e. Alimony received .....	16e. _____	.00
f. Other income .....	16f. _____	.00
17. Total nonbusiness income, add lines 16a - f .....	17. _____	.00
18. Excess of nonbusiness deductions over nonbusiness income, subtract line 17 from line 15, enter here. If zero or less, enter -0- .....	18. _____	.00
19. Excess capital loss deduction (see instr., pg. 3) .....	19. _____	.00
20. Add lines 18 and 19 .....	20. _____	.00
21. Net operating loss (combine lines 14 and 20) .....	21. _____	.00
(If greater than 0, you do not have an NOL)		

**MICHIGAN NET OPERATING LOSS:** This Michigan NOL amount may be carried back two years. Any unused balance may be carried forward 20 years. An election to forego the carryback period must be filed in the same manner as required by the Internal Revenue Code. (Attach a statement to your return for the NOL year.) Any loss in excess of income subject to Michigan tax may be carried forward to the next year.

# Application for Michigan Net Operating Loss Refund for Loss Years Prior to 1997

For loss year \_\_\_\_\_ or for loss year beginning \_\_\_\_\_, \_\_\_\_\_ and ending \_\_\_\_\_, \_\_\_\_\_.

**Note: The MI-1040 for the loss year must have been filed before January 1, 1998 to use this form.**

First Name, Middle Initial and Last Name (if joint, use first names and initials of both)		Filer's Social Security Number
Home Address (No., Street, P.O. Box or Rural Route)	City, State, ZIP	Spouse's Social Security Number

**IMPORTANT:** Use your U.S. 1040 to complete this form. Do not consider net operating losses from other years, **income and losses from other states, or income and losses from oil and gas production that is subject to Michigan Severance Tax.**

## PART 1 -- Computing the Net Operating Loss (see instructions, page 3)

1. Wages, salaries, tips, etc. ....	1. _____	.00
2. Interest income .....	2. _____	.00
3. Dividends _____ Less exclusions _____ Balance _____ .....	3. _____	.00
4. Business income or loss (attach U.S. Schedules C and F) .....	4. _____	.00
5. Capital gain or loss (attach Schedule D) .....	5. _____	.00
6. Other gains or losses (attach U.S. 4797) .....	6. _____	.00
7. Pension, IRA and annuity (taxable portion) .....	7. _____	.00
8. Net rent or royalty income .....	8. _____	.00
9. Income or losses from partnerships, estates, trusts and S corporations (attach U.S. Schedule E) .....	9. _____	.00
10. Miscellaneous income -- Explain (see instr., pg. 3) .....	10. _____	.00
11. Total income .....	11. _____	.00
12. ADJUSTMENTS		
a. Payments to a retirement plan as an individual or a self-employed person .....	12a. _____	.00
b. Deduction for self-employment tax (for years after 1989) .....	12b. _____	.00
c. Self-employed health insurance deduction (for years after 1986) .....	12c. _____	.00
d. Alimony paid and/or penalty for early withdrawal of savings .....	12d. _____	.00
e. Reimbursed employee business expense (for years before 1989) .....	12e. _____	.00
f. Moving expenses (for years after 1993) .....	12f. _____	.00
g. Other adjustments to income for years before 1987 .....	12g. _____	.00
13. Total adjustments. (Add lines 12a - g.) .....	13. _____	.00
14. Michigan adjusted gross income (subtract line 13 from line 11) .....	14. _____	.00
15. Itemized deductions (U.S. Schedule A)		
a. Total deductible medical and dental expenses .....	15a. _____	.00
b. Taxes .....	15b. _____	.00
c. Interest .....	15c. _____	.00
d. Contributions (see instructions) .....	15d. _____	.00
e. Casualty and theft losses .....	15e. _____	.00
f. Moving expenses (for years before 1994) .....	15f. _____	.00
g. Miscellaneous -- Explain .....	15g. _____	.00
16. Enter the total of 15a - g or the standard deduction .....	16. _____	.00
17. Multiply your number of exemptions by your federal exemption allowance .....	17. _____	.00
18. Add lines 16 and 17 .....	18. ( _____ )	.00
19. TAXABLE INCOME (loss). Combine lines 14 and 18.		
If line 19 is zero or more, you do not have a net operating loss .....	19. _____	.00
20. Modifications:		
a. Exemption allowance from line 17 .....	20a. _____	.00
b. Excess capital loss deduction (see instr., pg. 3) .....	20b. _____	.00
c. Excess of nonbusiness deductions over nonbusiness income		
See page 3, MI-1045 Schedule A, line 9 .....	20c. _____	.00
21. Total of items 20a - c .....	21. _____	.00
22. Net operating loss (combine lines 19 and 21) .....	22. _____	.00

# **Schedule A: Nonbusiness Deductions (For Loss Years Prior to 1997 Only) Computation for the Amount of Nonbusiness Deductions that Exceed Nonbusiness Income**

For loss year \_\_\_\_\_ or for loss year beginning \_\_\_\_\_, \_\_\_\_\_ and ending \_\_\_\_\_, \_\_\_\_\_.

First Name, Middle Initial and Last Name (if joint, use first names and initials of both)	Filer's Social Security Number
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1. Total itemized deductions or standard deduction from MI-1045, page 2, line 16 ..... 1. \_\_\_\_\_ .00
2. Less:
  - a. Casualty or theft loss ..... 2a. \_\_\_\_\_ .00
  - b. State income tax on net income from business ..... 2b. \_\_\_\_\_ .00
  - c. Interest on state and federal taxes attributable to business income ..... 2c. \_\_\_\_\_ .00
  - d. Employee business expenses included in itemized deductions ..... 2d. \_\_\_\_\_ .00
  - e. Other, explain \_\_\_\_\_ 2e. \_\_\_\_\_ .00
3. Total of lines 2a - e ..... 3. \_\_\_\_\_ .00
4. Subtract line 3 from line 1 ..... 4. \_\_\_\_\_ .00
5. Enter any of the following: IRA deduction, self-employed health insurance deduction, self-employed pension or profit sharing plan deduction, penalty on early withdrawal of savings and alimony paid ..... 5. \_\_\_\_\_ .00
6. Nonbusiness deductions, add lines 4 and 5 ..... 6. \_\_\_\_\_ .00
7. Nonbusiness income
  - a. Interest income ..... 7a. \_\_\_\_\_ .00
  - b. Dividend income ..... 7b. \_\_\_\_\_ .00
  - c. Net gains from sale of assets not used in trade or business ..... 7c. \_\_\_\_\_ .00
  - d. Pension and annuities ..... 7d. \_\_\_\_\_ .00
  - e. Alimony received ..... 7e. \_\_\_\_\_ .00
  - f. Other income ..... 7f. \_\_\_\_\_ .00
8. Total nonbusiness income, add lines 7a - f ..... 8. \_\_\_\_\_ .00
9. Excess of nonbusiness deductions over nonbusiness income, subtract line 8 from line 6, enter here and on MI-1045, page 2, line 20c. If amount on line 9 is zero or less, enter -0- on MI-1045, page 2, line 20c ..... 9. \_\_\_\_\_ .00

## **Instructions for Schedule A: Nonbusiness Deductions**

To complete this form, refer to your U.S. 1040 for the year the loss occurred. Also, note the following:

- **Salaries and wages** you receive are trade or business income.
- **Casualty and theft losses** are considered attributable to a trade or business, even if they involve nonbusiness property.
- Your prorated share of a **partnership or S corporation income or loss** is business income or loss.
- Deductions allowed for payment to a **Keogh retirement plan and individual retirement arrangements (IRA's)** are nonbusiness deductions.

**Line 7f:** Include any refund of income taxes on nonbusiness income included in your federal adjusted gross income (AGI).

## **Line-by-Line Instructions for Part 1: Computing the Net Operating Loss**

Use the entries on your U.S. 1040 for the year the loss occurred to complete Part 1. Do not consider income and losses from other states or income and losses from oil and gas.

**Line 10:** Miscellaneous income includes state and local refunds, unemployment benefits, alimony received and any other miscellaneous taxable income.

**Line 14:** Subtract line 13 from line 11. This amount should equal your federal AGI if you have no income or losses from other states or income and losses from oil and gas.

**Line 15d, page 2:** Contributions cannot be used if AGI is zero or negative. See federal guidelines for carryover rules.

**Line 19, page 2:** If lines 14 and 18 are both negative, combine the two negative figures to make a larger negative number.

**Line 19, page 1 or line 20b, page 2:** The excess capital loss must be calculated on a U.S. 1045 Schedule A, line 24 or 25, then entered on this line.

# Application for Refund from Carryback of Net Operating Loss

PART 2 -- Redetermining Your Michigan Income Tax	Column A	Column B	Column C
23. Enter the year that you are carrying the NOL to .....	_____	_____	_____
24. Reported federal adjusted gross income .....	_____ .00	_____ .00	_____ .00
25. Additions from MI-1040, explain .....	_____ .00	_____ .00	_____ .00
26. Total. Add lines 24 and 25 .....	_____ .00	_____ .00	_____ .00
27. Subtractions from MI-1040, explain .....	_____ .00	_____ .00	_____ .00
28. Balance. Subtract line 27 from line 26 .....	_____ .00	_____ .00	_____ .00
29. Less NOLD .....	_____ .00	_____ .00	_____ .00
30. Balance. Subtract line 29 from line 28 .....	_____ .00	_____ .00	_____ .00
31. Less Michigan exemption allowance .....	_____ .00	_____ .00	_____ .00
32. Taxable balance .....	_____ .00	_____ .00	_____ .00
33. Tentative tax .....	_____ .00	_____ .00	_____ .00
34. Less nonrefundable tax credits .....	_____ .00	_____ .00	_____ .00
35. Tax due. If less than zero, enter zero .....	_____ .00	_____ .00	_____ .00
36. Less: a. Refundable tax credits .....	_____ .00	_____ .00	_____ .00
b. Tax withheld .....	_____ .00	_____ .00	_____ .00
c. Tax paid with prior returns .....	_____ .00	_____ .00	_____ .00
d. Estimated tax payments .....	_____ .00	_____ .00	_____ .00
37. Total of items 36a - d .....	_____ .00	_____ .00	_____ .00
38. Tax previously refunded or carried to next year .....	_____ .00	_____ .00	_____ .00
39. Balance of tax paid. Subtract line 38 from line 37 .....	_____ .00	_____ .00	_____ .00
40. Overpayment. Subtract line 35 from line 39 .....	_____ .00	_____ .00	_____ .00

## Sign Here

*I declare under penalty of perjury that the information in this application and attachments is true and complete to the best of my knowledge.*

*I authorize Treasury to discuss my application with my preparer.*

☐ Yes ☐ No

Signature

Date

Spouse's Signature

Date

*I declare under penalty of perjury that this application is based on all information of which I have any knowledge.*

Preparer's Name, Address, PTIN and/or FEIN.

Phone

ID Number

## Line-by-Line Instructions for Part 2: Redetermining Your Michigan Income Tax

**Note:** For loss years commencing after August 5, 1997, the carryback and carryforward rules for most NOLs have changed. In general, NOLs are now carried back 2 years and then forward 20 years. See U.S. 1045 instructions for exceptions to the general rule.

**Line 25:** Additions from MI-1040. Include here any additions shown on your original return.

**Line 27:** Subtractions from MI-1040. Include here any subtractions shown on your original return.

**Line 29:** Enter your Michigan NOL from line 21, page 1 for 1998 and later, or from line 22, page 2, for years prior to 1998.

**Line 30:** If line 30 is less than \$0, enter that amount on line 29 in the next column. Cannot exceed line 29 of the preceding column.

**Line 33:** Tentative tax. This amount cannot be less than zero.

**Line 34:** Enter the total of nonrefundable credits claimed on your original return.

**Line 36a:** Enter the total of refundable credits for: homestead property tax, home heating and farmland preservation. Any credit entered here must be adjusted for the NOLD adjustment to household income, if applicable. Be sure to attach your amended credit form.

**Line 36c:** Enter the total of the following for the year listed on line 23; tax paid with the annual return and any additional tax paid after the original return was filed.

Mail your completed form to:

**Michigan Department of Treasury  
Lansing, MI 48956**

# Computation of Federal Modified Taxable Income for Household Income (HHI) Only

## PART 3 -- Adjusting Your NOL For Household Income

### Step 1. Figure Your Modified Taxable Income

	Column A	Column B	Column C
41. Enter the year that you are carrying the NOL to .....	20_____	20_____	20_____
42. Reported adjusted gross income for year shown on line 41 without NOLD .....	_____	_____	_____
Add:			
43. a. Adjustments to AGI (see instructions) .....	_____	_____	_____
b. Capital losses, in excess of capital gains (\$3,000 maximum) .....	_____	_____	_____
44. MODIFIED federal adjusted gross income. Add lines 42 & 42a or 42b .....	_____	_____	_____
45. a. Medical (see instructions for limitations) .....	_____	_____	_____
b. Taxes .....	_____	_____	_____
c. Contributions .....	_____	_____	_____
d. Interest .....	_____	_____	_____
e. Casualty loss .....	_____	_____	_____
f. Moving expenses .....	_____	_____	_____
g. Miscellaneous (attach U.S. <i>Schedule A</i> ; see inst.) .....	_____	_____	_____
h. Limit on itemized deductions .....	_____	_____	_____
i. If you do not itemize, use the standard deduction .....	_____	_____	_____
46. Enter the total of 45a - h, or 45i if you did not itemize .....	_____	_____	_____
47. Modified Taxable Income. Subtract line 46 from line 44 (If less than zero enter zero.) .....	_____	_____	_____

### Step 2. Figure Your Carryback (If you are not carrying the loss back, go to Step 3.)

48. Unabsorbed net operating loss. Enter in column A your federal operating loss as a positive amount .....	_____	_____	_____
49. Net operating loss to be carried to next succeeding year. Subtract line 47 from line 48. Carry the amount on this line to the next column, line 48 (cannot be less than zero) .....	_____	_____	_____

### Step 3. Figure Your Carryforward

50. Enter the year the federal NOL occurred .....	19_____	19_____	19_____
51. Enter the amount of the original Federal NOL as a positive amount .....	_____	_____	_____
52. Enter the total of all NOLs used for previous years .....	_____	_____	_____
53. Subtract line 52 from line 51. This is the remaining NOL that can be carried forward to the year on line 41 .....	_____	_____	_____
54. Subtract line 47 (modified taxable income) from line 53. This is the remaining NOL to carry forward. This amount can't be less than 0. ....	_____	_____	_____

### Line-by-Line Instructions for Part 3: Adjusting Your NOL For Household Income

**Note:** For loss years commencing after August 5, 1997, the carryback and carryforward rules for most NOLs have changed. In general, NOLs are now carried back 2 years and then forward 20 years. See U.S. 1045 instructions for exceptions to the general rule.

**Line 42:** Include NOL carryovers or carrybacks from earlier years.

**Line 43a:** Adjustments to AGI, such as taxable Social Security benefits and IRA deductions, must be recalculated based on federal modified AGI.

**Line 45:** Use 45a-h if you itemized. If you didn't itemize, use 45i.

**45a:** Medical adjustments. The amount of medical adjustments you can take varies with federal law from year to year. You must recalculate your medical expense deduction based on modified federal AGI and the federal limitation in effect for the year entered on line 41.

**45c:** Percentage limitations on charitable contributions are based on modified federal AGI.

**45g:** Miscellaneous deductions are limited to 2 percent of AGI. This amount cannot exceed 2 percent of modified federal AGI.

**45h:** If modified AGI exceeds certain amounts, itemized deductions may be limited. See limitations in effect for the year entered on line 41.

**Line 47:** This is your federal modified taxable income (FMTI). Your Michigan net operating loss deduction will be the amount on this line or the amount from line 48 (or line 53 for carryforwards), whichever is smaller. This amount cannot be less than zero.

**Line 48:** Enter your federal NOL in column A as a positive amount. Each succeeding year will be the excess portion (if any) from line 49 of the preceding column.

**Line 49:** Subtract line 47 from line 48. If the result is more than zero, this is the excess NOL to be carried to the next year. If it is less than zero, the NOLD is limited to the excess on line 48. This is the last year affected by the NOL.

**Line 54:** If line 47 is less than line 53, subtract line 47 from line 53 and enter here; then use line 47 as your NOLD to recalculate your credit. If line 47 is greater than line 53 enter zero here and use line 53 as your NOLD to recalculate your Michigan credits.

## Application for Net Operating Loss Refund Instructions

**Note:** For loss years commencing after August 5, 1997, the carryback and carryforward rules for most NOLs have changed. In general, NOLs are now carried back 2 years and then forward 20 years. See U.S. 1045 instructions for exceptions to the general rule.

### What is a net operating loss?

A net operating loss (NOL) occurs when a business has losses in excess of its gains. The Michigan net operating loss deduction is subject to allocation and apportionment as required by the Michigan Income Tax Act. Income and losses attributed to other states, and income and losses from oil and gas production included in the federal NOL must be eliminated on the Michigan form for loss year returns filed before 1-1-98. For loss year returns filed after 12-31-97, the Michigan NOL will also be computed without the use of federal itemized deductions. For Michigan taxes, an NOL may be carried back 3 years. If your NOL is not exhausted in the carryback years, or you elect to forego the carryback, an NOL carryforward will exist for subsequent years. The carryover period is limited to 15 years after the year of the loss. Beginning with the 1998 tax year, the carryback period is limited to two years for both federal and Michigan taxes, and any unused loss may be carried forward 20 years. Exceptions to the 2 year carryback period for federal purposes also apply to Michigan.

### The Michigan NOL

The Michigan Court of Appeals has ruled in two separate cases, *Preston v Treasury*, 190 Mich App 491; 476 NW 2d 455, (1991) and *Beznos v Treasury*, 224 Mich App 717; 569 NW 2d 908 (1997), that the Michigan NOL and NOL deduction are computed separately and independently of the federal NOL and NOL deduction. If you incurred an NOL on a loss year return filed after 12-31-97 that you are carrying back to previous years, you must determine the allowed Michigan NOL, if any, by completing page 1 of the MI-1045. If you incurred a Michigan NOL, but are electing to forego the carryback, and carry the Michigan NOL forward, you do not need to file this form until the year you actually use the loss to offset Michigan income. If you incurred an NOL from Michigan sources, but did not incur a corresponding federal NOL, you should also complete page 1 of the MI-1045 form, whether the loss is being carried back or carried forward.

### When to file your MI-1045

If you are carrying back your NOL to prior years, the MI-1045 form must be filed within four years after the date set for filing the return in which the NOL was incurred. For example: If the original NOL was incurred in 1996, then the original return was due April 15, 1997. You must file the MI-1045 form by April 15, 2001, to carryback the 1996 Michigan NOL to a year that is within the statute of limitations.

If your Michigan NOL is carried forward, the MI-1045 form should be filed in the year it is carried forward to.

### How to use the MI-1045 form

Use page 1 of the MI-1045 form to calculate your Michigan NOL for any loss year returns filed after 12-31-97, or for any years in which you had no federal NOL. **If you had a federal NOL for any loss year returns filed before 1-1-98, the allowed Michigan NOL may be computed on pages 2 and 3.** If you are carrying the loss back, you must also complete page 4, *Redetermining Your Michigan Income Tax*. Page 5 is used to determine the amount of your federal NOL deduction that may be used to compute your household income.

See "How an NOL affects the homestead property tax credit" below.

If you are filing a refund claim from the carryback of a Michigan NOL, you must also file the appropriate amended credit claim forms for each year the loss is being carried back. Attach the amended credit claim forms to your MI-1045 form.

If part of your NOL still remains after carrying it back three years, or if you elect to carry it forward, attach your MI-1045 to your Michigan tax return in the year you use the carryforward.

The total amount of the federal NOL deduction used to arrive at federal AGI must be added back on your MI-1040. The Michigan NOL deduction is then subtracted in its place on the MI-1040. This amount will be the NOL determined on MI-1045, page 1, line 21 less any of the loss used in previous years. See the MI-1040 instruction booklet for specific line references for the years involved.

You must attach a copy of your federal income tax return (U.S. 1040) and any supporting federal tax schedules or forms that support the NOL. Be sure to indicate the location (city and state) of any income or loss. If you have income or loss subject to apportionment, see *MI-1040H Schedule of Apportionment*.

If you need Michigan forms, visit Treasury's Web site at [www.treasury.state.mi.us](http://www.treasury.state.mi.us) or call 1-800-FORM-2-ME (1-800-367-6263). For technical questions, call Treasury's toll-free Tele-Help line 1-800-487-7000 to speak with a department representative.

### How an NOL affects the homestead property tax credit

To determine household income for purposes of computing the homestead property tax credit, the home heating credit, the farmland preservation tax credit, and the prescription drug credit, an NOL deduction is allowed. The amount of the NOL deduction that is allowed cannot exceed your federal modified taxable income (FMTI) in the year to which it is being carried back or carried forward. Claim the amount of the allowed NOL deduction on the "other adjustments line" on the appropriate credit forms for each applicable year. *Caution: In order to deduct an NOL deduction from household income, you must have a corresponding federal NOL deduction. If you have a Michigan NOL deduction, but no federal NOL deduction, you cannot take an NOL deduction in household income. Income and losses from other states, income and losses from oil and gas production, and federal itemized deductions, must be considered when calculating the NOL and NOL deductions used for household income.* The amount of the allowable NOL deduction for use in household income is calculated on page 5 of the MI-1045 form for both carrybacks and carryforwards. The amount of the carryback deduction will be the smaller of lines 47 or 48, and the amount of the carryforward deduction will be the smaller of lines 47 or 53.

**Example:** Your 1997 FMTI is \$20,000, and your 1997 federal NOL deduction is \$50,000. The amount of the 1997 NOL deduction of \$50,000 that may be used in 1997 household income is limited to \$20,000. The balance of \$30,000 will be available for use in 1998 to the extent of your 1998 FMTI.